

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-08
EA-10 FRB-03 INR-10 IO-13 NEA-10 NSAE-00 ICA-11
OPIC-03 SP-02 TRSE-00 LAB-04 SIL-01 AGRE-00
OMB-01 SS-15 /110 W
-----068415 271209Z /11

R 271103Z APR 78
FM AMEMBASSY PARIS
TO SECSTATE WASHDC 0712
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USOECD

BRUSSELS ALSO FOR USEC

BRUSSELS FOR MARATT CH. BARON; DEPT PASS TREASURY

E.O. 11652: N/A
TAGS: EWWT, OECD
SUBJECT: APRIL 18-19 MEETING OECD WORKING PARTY 6
OF THE COUNCIL ON SHIPBUILDING

REF: PARIS 09403

SUMMARY-WP6 MET APRIL 18-19 AND, INTER-ALIA, DEBATED

SECRETARIAT PAPER ON ESTABLISHING RELATIONS WITH NON-
OECD COUNTRIES WHICH HAVE SIGNIFICANT SHIPBUILDING
CAPACITY. NO CONCLUSION WAS REACHED BUT SUBJECT WILL
BE KEPT ON AGENDA FOR FUTURE MEETINGS. FOR REASONS
THEY CITED TO US BILATERALLY (REFTEL) JAPAN MOST VIGO-
ROUSLY OPPOSED AN OPENING TO THIRD WORLD COUNTRIES ON
THIS ISSUE. UK, FRANCE AND SWEDEN FAVORED A MODICUM
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OF CONTACT. OTHER DELS EXPRESSED DOUBT WHETHER SUCH
CONTACTS WOULD PRODUCE CONCRETE RESULTS. SECRETARIAT
SAID THAT OECD COULD SEEK COOPERATION WITH NON-MEMBERS
IN QUEST TO RESOLVE MAJOR PROBLEMS. IN OTHER AREAS,
WP (A) DISCUSSED CONTINUING DETERIORATION IN SHIPBUILD-
ING SUPPLY/DEMAND WITH JAPANESE CLAIMING THEY WERE
COOPERATING TO REDUCE PRODUCTION AND THAT EUROPEANS

SHOULD DO MORE; (B) DISCUSSED REMEDIAL MEASURES ADOPTED BY MEMBER COUNTRIES; (C) INCONCLUSIVELY CONSIDERED POSSIBLE HARMONIZATION OF WP6 UNDERSTANDING ON EXPORT CREDITS FOR SHIPS WITH OECD'S CONSENSUS UNDERSTANDING ON EXPORT CREDITS; AND (D) REVIEWED WP'S DRAFT REPORT TO COUNCIL WHICH INCLUDES A RENEWED INVITATION TO USG TO PARTICIPATE IN UNDERSTANDING ON EXPORT CREDITS FOR SHIPS. WP NEXT MEETS JULY 11-12. US DEL WAS HEADED BY REGIONAL MARATT CH. BARON. END SUMMARY.

1. RELATIONS WITH NON-OECD COUNTRIES: THE WORKING PARTY SECRETARIAT PREPARED A RATHER PROVOCATIVE WORKING PAPER ON ESTABLISHING RELATIONS WITH NON-OECD COUNTRIES. THE JAPANESE WERE QUICK TO URGE THE WORKING PARTY TO AVOID ANY ATTEMPT TO COMMUNICATE WITH NON-OECD COUNTRIES, AS THEY FELT THIS WAS A POLITICAL ISSUE THAT COULD EASILY ENDANGER THE PROGRESS OF THE NORTH-SOUTH DIALOGUE. IN ANY CASE, THE JAPANESE SAID, INDUSTRY RESTRUCTURATION IS NOT DEPENDENT UPON THE ACTIONS OF THIRD COUNTRIES, WHO ARE NOT RESPONSIBLE FOR THE CURRENT SHIPBUILDING CRISIS. DEPUTY SEC GEN WOOTTON EXPLAINED THAT IT WAS WELL WITHIN THE PURVIEW OF THE ORGANIZATION TO SEEK COOPERATION WITH NON-MEMBERS TO DEAL WITH MAJOR PROBLEMS. MOST DELEGATIONS EXPRESSED PESSIMISM ABOUT THE POSSIBILITY OF ANY CONCRETE RESULTS. HOWEVER, SOME MEMBERS (UK, FRANCE, SWEDEN, EEC) CONCLUDED LIMITED OFFICIAL USE

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ED THAT AT LEAST SOME CONTACT WITH THIRD COUNTRIES IS DESIRABLE FOR INFORMATION-GATHERING ON PRODUCTIVE CAPACITY AND FOR MUTUAL UNDERSTANDING OF THE INDUSTRY'S PROBLEMS. THIS SUBJECT WILL BE KEPT ON THE AGENDA UNDER DISCUSSION OF "LONG-TERM OBJECTIVES".

2. SHIPBUILDING SUPPLY-DEMAND: WHILE TANKER SCRAPPING INCREASED SUBSTANTIALLY IN THE FIRST QUARTER OF 1978 AND DEMAND FOR SMALLER TANKERS (UNDER 50,000 DWT) HAS PICKED UP, BULK SHIPPING DEMAND HAS GENERALLY CONTINUED TO DETERIORATE. THE COMPROMISE RECENTLY REACHED AT IMCO ON SEGREGATED BALLAST WILL NOT HELP THE SHIPBUILD-

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OPIC-03 SP-02 TRSE-00 LAB-04 SIL-01 AGRE-00
OMB-01 SS-15 /110 W
-----076675 272252Z /61/11

R 271103Z APR 78
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C O R R E C T E D COPY (PORTION OF PARA 2 OMITTED AND ALL OF PARA 3)

DING MARKET. THE SUPPLY-DEMAND SUBGROUP WAS ABLE TO PRODUCE FULL-YEAR 1977 STATISTICS AND THE FIGURES WERE INTERPRETED DIFFERENTLY BY VARIOUS DELEGATIONS TO SUIT THEIR OWN PURPOSES. THE JAPANESE CLAIMED THAT IN TERMS OF NEW ORDERS, ORDERBOOKS AND COMPLETIONS, THEIR SHIPBUILDING ACTIVITY DECREASED SUBSTANTIALLY IN 1977 AS COMPARED TO 1976, MUCH MORE SO THAN THEIR EUROPEAN COUNTERPARTS. CLAIMING THAT THE MOST RECENT STATISTICS CLEARLY SHOW THE EXTENT OF THEIR COOPERATION IN REDUCING PRODUCTION, THE JAPANESE IMPLIED THEY WILL TAKE RETALIATORY ACTION IF EUROPEAN PRODUCTION IS NOT BROUGHT DOWN AT A FASTER RATE. THE EUROPEANS RESPONDED BY EXPLAINING THAT MAINTENANCE OF A RELATIVELY HIGH LEVEL OF PRODUCTION FOR EUROPE AS A WHOLE DOES NOT RELECT SIGNIFICANT REDUCTIONS OF ACTIVITY IN INDIVIDUAL COUNTRIES LIKE DENMARK, NETHERLANDS AND SWEDEN, WHERE SHIPYARD EMPLOYMENT HAS DROPPED ANYWHERE FROM 12 TO 30 PERCENT. IT WAS ALSO EXPLAINED THAT THE NEW CGRT (COMPENSATED GROSS REGISTERED TONNAGE) FORMULATION DISTORTED THE COMPARATIVE FIGURES SOMEWHAT

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AND THAT IN MANY CASES PRODUCTION APPEARED TO BE SUSTAINED BECAUSE OF "SLIPPAGE" OF WORK FROM ONE CALENDAR YEAR TO THE NEXT.

3. MEASURES TAKEN IN MEMBER COUNTRIES: A LONG AND ELOQUENT STATEMENT WAS MADE BY THE SWEDISH DELEGATE (EKSTROM) TO THE EFFECT THAT THE LONG-TERM CHARACTER

OF THE CRISIS MUST BE ACCEPTED AND THAT ONLY INDUSTRY RESTRUCTURATION BY EVERY COUNTRY INVOLVED WILL AMELIORATE THE PROBLEM. SHORT-TERM MEASURES BY GOVERNMENTS TO HELP THEIR SHIPYARDS RIDE OUT THE STORM, SAID EKSTROM, ONLY CREATE FALSE DEMAND AND WILL PROLONG ACHIEVEMENT OF PRODUCTION-MARKET BALANCE. IN THIS REGARD, THE EEC INTRODUCED THEIR FOURTH DIRECTIVE ON SHIPBUILDING AND TO ADJUST PRODUCTIVE CAPACITY. THE JAPANESE REITERATED THEIR POSITION THAT EACH NATIONAL GOVERNMENT MUST TAKE ITS OWN INITIATIVE TO REDUCE CAPACITY WITHOUT WAITING FOR OTHER GOVERNMENTS TO ACT. THE ITALIAN DELEGATION MENTIONED THAT HIS GOVERNMENT WAS CURRENTLY CONSIDERING A PLAN TO RESTRUCTURE SHIPBUILDING, AND FINLAND GAVE DETAILS OF THEIR RESTRUCTURATION PLAN CALLING FOR REDUCTION BY THE EARLY 1980'S OF SHIPYARD EMPLOYMENT TO 14000 WORKERS FROM THE PRESENT 18000 MAN LABOR FORCE. JAPAN RESERVED COMMENT ON THE EEC DIRECTIVE UNTIL AFTER FURTHER STUDY.

4. UNDERSTANDING ON EXPORT CREDITS: THERE WAS LENGTHY AND INCONCLUSIVE DISCUSSION ABOUT POSSIBLE HARMONIZATION OF THE WP6 UNDERSTANDING ON EXPORT CREDITS FOR HIPS WITH THE CONSENSUS ARRANGEMENT ON EXPORT CREDITS. SPAIN AND SWEDEN THOUGHT THE WP6 UNDERSTANDING SHOULD BE ABROGATED IN FAVOR OF THE CONSENSUS ARRANGEMENT LIMITED OFFICIAL USE

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MENT, WHILE THE EEC DELEGATION CAUTIONED THAT THE CONSENSUS ARRANGEMENT APPLICATION OF SOFTER CREDIT TERMS WOULD CREATE FALSE DEMAND AND THUS DAMAGE THE INDUSTRY. THE EEC ALLUDED TO FORTHCOMING "NEGOTIATIONS" REGARDING EXCLUSIONS FROM THE CONSENSUS ARRANGEMENT, PROBABLY REFERRING TO THEIR ANTICIPATED BILATERAL TALKS WITH THE U.S. ON EXPORT CREDIT TERMS FOR LNG SHIPS. HOWEVER, RECENT U.S. ACTION WITH REGARD TO INCLUSION OF SHIPS WITHIN THE CONSENSUS ARRANGEMENT WAS NOT RAISED DIRECTLY AT THE WORKING PARTY MEETING. FRANCE ENDED THE DISCUSSION ON THIS MATTER BY NOTING THAT THE WP6 UNDERSTANDING HAD BECOME OUTDATED AFTER FOUR YEARS SINCE MARKET CONDITIONS HAD CHANGED CONSIDERABLY AND THE CONSENSUS ARRANGEMENT STRENGTHENED. IT WAS THEREFORE FELT BY THE FRENCH DELEGATION THAT SOME DRAWING TOGETHER OF THE TWO EXPORT CREDIT CRITERIA SHOULD BE ATTEMPTED. THIS MATTER WAS TABLED FOR DISCUSSION AT THE NEXT MEETING.

5. DRAFT REPORT TO THE COUNCIL: A LENGTHY, TEDIOUS REVIEW OF THIS DOCUMENT RESULTED IN MODIFICATIONS EMPHASIZING THE SEVERITY OF THE PRESENT CRISIS AND THE

ACCOMPLISHMENTS OF THE WORKING PARTY IN DEALING WITH SAME. AN ATTEMPT BY THE SWEDISH DELEGATE TO INCORPORATE A COMMITMENT IN THE REPORT FOR WP6 TO TAKE STRONGER LONG-TERM MEASURES FOR INDUSTRY RESTRUCTURATION WAS PUT ASIDE BY OTHER DELEGATES AND THE CHAIRMAN. THERE IS REFERENCE IN THE REPORT TO THE UNITED STATES WITH REGARD TO ACCEDING TO THE UNDERSTANDING ON EXPORT CREDIT FOR SHIPS. USDEL FELT IT WAS INAPPROPRIATE IN OUR ROLE AS OBSERVERS TO COMMENT ON THE ADVISABILITY OF THE WORKING PARTY'S PURSUIT OF THIS END. HOWEVER, RELEVANT PARA IN DOCUMENT READS: QUOTE "THE WORKING PARTY CONSIDERS IT IMPORTANT THAT ALL THE OECD MEMBER COUNTRIES WHICH PLAY OR MAY SOON PLAY A ROLE ON THE EXPORT MARKET SHOULD TAKE PART IN ITS EFFORTS TO LIMITED OFFICIAL USE

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DEVELOP THE CONDITIONS NECESSARY FOR HEALTHY COMPETITION. IN THIS CONNECTION, IT REITERATES ITS INVITATION TO THE UNITED STATES GOVERNMENT TO RECONSIDER THE POSSIBILITY OF ITS PARTICIPATING IN AN APPROPRIATE FASHION IN THE UNDERSTANDING ON EXPORT CREDITS FOR SHIPS" UNQUOTE.

6. THE WP ACCEPTED A REQUEST BY THE TRADE UNION ADVISORY COMMITTEE TO MEET WITH IT. THESE CONSULTATIONS WILL TAKE PLACE AT THE NEXT MEETING OF THE WP WHICH IS SCHEDULED FOR JULY 11-12.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: SHIPBUILDING INDUSTRY, COMMITTEE MEETINGS, MEETING REPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 27 apr 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978PARIS13640
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780180-0139
Format: TEL
From: PARIS USOECD
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780410/aaaaahpe.tel
Line Count: 256
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 793eb2a5-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 PARIS 9403
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2814215
Secure: OPEN
Status: NATIVE
Subject: APRIL 18-19 MEETING OECD WORKING PARTY 6 OF THE COUNCIL ON SHIPBUILDING
TAGS: EWWT, OECD
To: STATE USEEC
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/793eb2a5-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014